Liquor Policy Review

LIQUOR POLICY REVIEW:

BACKGROUND INFORMATION

FOR A CONSULTATIVE PROCESS

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I. INTRODUCTION

The Ministry of Finance and Corporate Relations and the Ministry of Labour and Consumer Services have formed a liquor policy review committee to examine the powers, policies and procedures under the Liquor Distribution Act and the Liquor Control and Licensing Act.

The primary objectives of the review committee are to determine the suitability of existing legislation and policies, to examine the question of privatization of liquor distribution and to provide recommendations that are in the best interests of British Columbians.

This discussion paper has been prepared to provide background information on liquor licensing and control and liquor distribution in British Columbia. The paper briefly describes the roles of the two ministries and the existing alcohol retail system in the province. It also outlines a number of potential implications the reader may wish to consider in formulating opinions on liquor policy issues.

II. OVERVIEW

Governments have traditionally performed two functions with respect to alcohol in society: first, to regulate its supply and availability in order to minimize social costs associated with its use, and second, to generate revenue to fund essential government programs. In British Columbia, as in every other province in Canada, these objectives have been met through a government-operated monopoly.

Initially, the government exercised control by restricting imports, licensing and monitoring retail outlets and domestic

producers, regulating prices and developing its own retail store monopoly. For years, for example, only government-operated liquor stores were allowed to sell beer, spirits and wine for home consumption. Other establishments, such as restaurants and lounges, were allowed to serve alcohol for on-premise consumption only, subject to government regulation. The then Liquor Control Board was responsible for regulating availability of alcohol by limiting what would be available, where it would be available, when it would be available and to whom it would be available.

However, over the years, public attitudes towards alcohol and the government's monopoly have changed. On the one hand, consumption of alcoholic beverages has become more socially acceptable; on the other, British Columbians have become increasingly aware of health and social costs of alcohol abuse. The result is a public expectation that the government improve customer service and convenience while continuing to minimize social costs through pricing and control.

In 1975, the government responded by dividing the Liquor Control Board into the Liquor Control and Licensing Branch (LCLB) and the Liquor Distribution Branch (LDB). Through the creation of the LCLB and LDB, the government's emphasis shifted to emphasize a commitment to providing acceptable customer service, while maintaining adequate government revenues and minimizing social costs.

The LCLB and LDB improved customer service on many fronts -- by encouraging and developing new private sector retail outlets; by extending hours and then the days of operation by licensees, with Sunday openings first introduced for EXPO 86 and subsequently continued; and by extending hours of operation of government liquor stores, as well as improving product selection and display in those stores.

Since 1975, the increase in the numbers and types of private sector outlets has demonstrated the private sector can participate in alcohol retailing. In addition, British Columbians have generally been receptive to licensing policy changes, particularly those implemented in the past year. The government, therefore, now believes that in light of the changing attitudes of many British Columbians towards alcohol, and the government's commitment to encourage and foster economic growth, the time appears right to review present licensing and control policies and to investigate further private sector involvement in the distribution and retailing of alcohol.

III. ALCOHOL RETAILING IN BRITISH COLUMBIA - THE LDB AND THE LCLB

A. The Liquor Distribution Branch

The LDB is solely responsible for selecting, purchasing, pricing and distributing all alcoholic beverages in British Columbia. The LDB's mandate is to "provide service acceptable to consumers, to achieve established financial returns, to provide suppliers with controlled access to the marketplace on a fair and equitable basis and to encourage moderation and maturity in the use of alcohol".

In addition, the LDB performs several other roles:

1. Financial - the LDB contributes significantly to government revenues, over $400 million in the current fiscal year.
2. Regulatory - in conjunction with the LCLB, the LDB controls the availability of alcohol in the province.
3. Policy implementation - for example, the LDB affords concessions to domestic producers, thereby supporting provincial employment and agricultural policies.

Despite the LDB's preeminence in marketing alcohol, it does not operate in isolation. The LDB attempts to strike a balance between the need for government revenues and control, the demands of producers and importers for market access, and consumer demands for improved convenience and product selection. Expanding the use of private sector retailers, as agents of the LDB, is one way in which the LDB has attempted to achieve this balance.

Agency stores are private retail outlets which sell alcohol products for home consumption. Agents fall into two broad categories:

1. Rural agency stores are retail outlets situated within existing businesses which serve remote or seasonal communities where a full-time government store is neither feasible nor efficient.

2. Industry agency stores are retail outlets operated by domestic breweries, distilleries and wineries for the sale of their own products. Breweries and distilleries have been restricted to operating stores at their production sites. Wineries also operate on-site stores and received additional authorization to open off-site or freestanding stores throughout the province in 1985.

B. Liquor Control and Licensing Branch

The Liquor Control and Licensing Branch's primary role is regulatory in nature, overseeing licensees which are the largest group of alcohol retailers in the province. The LCLB is responsible for approving and issuing licences to all liquor outlets other than government liquor stores and agency stores, and for controlling the performance of those licensees. The LCLB also licenses all wineries, breweries and distilleries and monitors and controls liquor advertising and sales

promotion. In addition to its regulatory and licensing functions, the LCLB also performs two other important roles:

1. Financial - the LCLB contributes revenue to government from licensing fees, over $15 million in the current fiscal year.
2. Policy implementation - the LCLB, through licensing policy changes, supports government efforts to stimulate economic development.

The LCLB has encouraged orderly development of new types of retail outlets such as neighbourhood pubs since 1974 and licensee retail stores since mid-1985. Under the latter program, neighbourhood pubs and hotels are permitted to open retail stores on their own premises to sell domestic beer and wine for off-site consumption.

Summary

In response to shifting attitudes of consumers and producers, the alcohol retailing system in British Columbia has expanded over the years. The LDB still dominates liquor sales for home consumption through government liquor stores, but has increased private sector involvement considerably through agency stores and licensee retail stores.

IV. LIQUOR POLICY REVIEW

In reviewing present liquor licensing policies, there are a number of issues that should be considered: the type and nature of licences to be authorized; criteria for reviewing licence applications and renewals; days, hours and conditions of operation of licensed premises; nature of liquor advertising; and role of municipal governments in provincial liquor policy. In considering these issues it is important to bear in mind the government's commitment to respect community values and provide appropriate enforcement mechanisms.

Turning to privatization, two questions must be asked. First, is further privatization necessary or desirable? Second, if it is, how could it best be implemented? Would, for example, some form of system permitting sale of beer and wine in grocery stores as in Quebec, a system of private liquor stores as in California, or an expansion or variation of our own unique mixture of private and public retail outlets best serve the needs of British Columbians?

V. IMPLICATIONS

The use of alcohol has, and will continue to have, important social policy implications. Research generally links the cost of social programs with consumption, and consumption with product availability, prices and consumer preference. Changes to any of these variables resulting from privatization or licensing policy changes may well affect consumption.

Privatization, in particular, could lead to a shift in employment. The most apparent change would be in distribution and retailing, with a shift in employment from the public to the private sector.

Changes in present liquor policy may also impact on price. To a large extent, the degree of competition among private sector retailers, and the revenue requirements of government, producers, distributors and retailers will dictate whether alcohol prices rise or fall.

While it is impossible to predict with certainty the ultimate effects of privatization and liquor policy changes, the potential implications identified in this paper should be considered carefully in determining the future direction of British Columbia's alcohol policies.

VI. SUMMARY

To encourage private sector economic development and to improve customer service, the government has relaxed licensing standards and permitted greater involvement by the private sector in retailing and distributing alcohol in British Columbia in the last ten years.

The fundamental question for British Columbians is whether these changes have been satisfactory, or whether additional changes would be appropriate to better serve the needs of British Columbians.

If changes are necessary, or desirable, they must reflect the government's revenue requirements and its control responsibilities.

This review, and public discussions to follow, will provide all interested British Columbians with the opportunity to help shape future alcohol policies for our province.

Province of British Columbia

NEWS RELEASE

MINISTRY OF FINANCE AND CORPORATE RELATIONS

MINISTRY OF LABOUR AND CONSUMER SERVICES

For Release: March 5, 1987

Contact: Peter Choate
254 - 5711

Liquor Policy Review Discussion Paper Released

Chilliwack M.L.A. John Jansen, chairman of the liquor policy review, today released a discussion paper which provides background information to help the public address major liquor policy issues.

Some of the questions posed in the paper concern the nature and type of liquor licenses, hours of operation for licensed premises, the nature of liquor advertising as well as the role municipal governments might play in provincial liquor policy.

The policy review will also examine the question of privatization of liquor distribution.

"We must first consider whether increasing the role of the private sector in liquor retailing should occur

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and, if so, what form that should take. The panel is anxious to receive submissions on this important issue," Jansen said.

Copies of the discussion paper may be obtained by writing John Jansen, M.L.A., Parliament Buildings, Victoria, B.C., V8V 1X4.

John Jansen also released the planned schedule for the public hearings taking place throughout the province between April 13 and May 1, 1987.

Monday - April 13 - Vancouver - Hotel Vancouver
14 - Burnaby - Sheraton Villa
15 - Vancouver - U.B.C. - Student Union Building
16 - Victoria - Empress Hotel

Tuesday- April 21 - Vernon - Village Green Inn
22 - Kamloops - Canadian Inn
23 - Castlegar - Fireside Motor Inn
24 - Chilliwack - Cottonwood Inn

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Monday - April 27 - Nanaimo - Coast Bastion Inn

28 - Prince Rupert - Highliner Inn

29 - Sandspit - Lions Club Hall

30 - Fort St. John - Pioneer Inn

May 1 - Alkali Lake - Community Hall

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